98TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
98-955

SMALL BUSINESS DEVELOPMENT CENTER IMPROVEMENT ACT OF 1984

AUGUST 6, 1984.—Ordered to be printed

Mr. MITCHELL, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 1429]

The committee of conference on the disagreement votes of the two Houses on the amendment of the House to the bill (S. 1429) to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

SECTION 1. This Act may be cited as the "Small Business Development Center Improvement Act of 1984".

SEC. 2. Section 21 of the Small Business Act is amended as follows:

(1) by adding at the end of paragraph (1) of subsection (a) the following: "The term of such grants shall be made on a calendar year basis or to coincide with the Federal fiscal year.";

(2) by striking paragraph (2) of subsection (a) and inserting the following:

"(2) The Small Business Development Center program shall be under the general management and oversight of the Administration, but with recognition that a partnership exists under this section between the Administration and the applicant for the delivery of assistance to the small business community. Services shall be provided pursuant to a negotiated cooperative agreement with full participation of both parties.

"(3) Except as provided in paragraph (4), the Administration shall require, as a condition to any grant (or amendment or

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modification thereof) made to an applicant under this section that an additional amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government: Provided, That the additional amount shall not include any amount of indirect costs or in-kind contributions paid for under any Federal program, nor shall such indirect costs or in-kind contributions exceed 50 percent of the non-Federal additional amount: Provided further, That no recipient of funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000, whichever is greater.

"(4) In lieu of the matching funds required in paragraph (3), the Administration shall require as a condition of any grant (or amendment or modification thereof) made to an applicant under this section, that a matching amount (excluding any fees collected from recipients of such assistance) equal to the amount of such grant be provided from sources other than the Federal Government, to be comprised of not less than 50 per centum cash and not more than 50 per centum of indirect costs and in-kind contributions as follows:

"(A) for grants for performance commencing on or after October 1, 1987 if the applicant is located in a state which received its grant for performance under this section on or before August 1, 1984;

"(B) for grants for performance commencing on or after October 1, 1988 if the applicant is located in a state which receives its initial grant for performance under this section commencing after August 1, 1984 and prior to October 1, 1986; and

"(C) for grants for performance commencing on or after October 1, 1986 if the applicant is located in a state which receives its initial grant for performance under this section commencing after October 1, 1986.

Provided, That this matching amount shall not include any indirect costs or in-kind contributions derived from any Federal program: Provided further, That no recipient of funds under this section shall receive a grant which would exceed its pro-rata share of a $65,000,000 program based upon the population to be served by the small business development center as compared to the total population in the United States, or $200,000 whichever is greater.";

(3) by striking from paragraph (1) of subsection (b) "During fiscal years 1981, 1982, and 1983, financial" and by inserting in lieu thereof "Financial";

(4) by inserting after the period at the end of the first sentence of paragraph (2) of subsection (c) the following: "The facilities and staff of each small business development center shall be located in such places as to provide maximum accessibility and benefits to the small businesses which the center is intended to serve.";

(5) by amending subparagraph (2)(A) of subsection (c) to read as follows:

"(A) a full-time staff, including a full-time director who shall have the authority to make expenditures under the center's budget and who shall manage the program activities;".

(6) by striking subsection (e) and inserting in lieu thereof the following:

"(e) The National Science Foundation is authorized and directed to cooperate with the Administration and with the small business development centers in developing and establishing programs to support the centers.";

(7) by striking from the second sentence of paragraph (2) of subsection (h) the word "quarterly" and inserting in lieu thereof "semiannually";

(8) by striking from paragraph (1) of subsection (i) the word "may" and inserting in lieu thereof "shall"; and

(9) by striking subsection (j) and inserting in lieu thereof the following:

"(j) Within six months of the date of enactment of the Small Business Development Center Improvement Act of 1984, the Administration shall develop and implement a program proposal for onsite evaluation of each small business development center. Such evaluation shall be conducted at least once every two years and shall provide for the participation of a representative of at least one other small business development center on a cost-reimbursement basis.".

SEC. 3. Section 20 of the Small Business Act is amended as follows:

"(1) by inserting the following after the second sentence in subsection (a): 'For fiscal year 1986 and every year thereafter, there are hereby authorized to be appropriated such sums as may be necessary and appropriate to be available solely (1) to carry out the provisions and purposes of the small business development center program in section 21, but not to exceed the level as specified in subsection (a) of such section, (2) to pay the expenses of the National Small Business Development Center Advisory Board as provided in section 21(h), and (3) to reimburse centers for participation in evaluations as provided in section 21(j).'; and

"(2) by adding the following new subsection:

"(t) There are hereby authorized to be appropriated for fiscal year 1985, $30,000,000 to be available solely (1) to carry out the provisions and purposes of the small business development center program in section 21, (2) to pay the expenses of the National Small Business Development Center Advisory Board as provided in subsection 21(h), and (3) to reimburse centers for participation in evaluations as provided in subsection 21(j)."

SEC. 4. Section 204 of the Small Business Development Center Act of 1980 (Public Law 96-302), as amended, is further amended by striking "January 1, 1985" and by inserting in lieu thereof "October 1, 1990.".

SEC. 5. Section 7(d)(1) of the Small Business Act is amended to read as follows:

"(d)(1) The Administration shall not fund any small business development center or any variation thereof, except as authorized in section 21 of this Act.".

Amend the title so as to read "An Act to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes.".

And the House agree to the same.

PARREN J. MITCHELL,
NEAL SMITH,
J.P. ADDABBO,
JOSEPH M. MCDADE,
SILVIO O. CONTE,
Managers on the part of the House.

L.P. WEICKER, JR.,
ORRIN HATCH,
RUDY BOSCHWITZ,
DALE BUMPERS,
SAM NUNN,
Managers on the part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1429) to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report.

The House amendment struck all of the Senate bill after the enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment. The principal differences among the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

1. SBA GRANT MAKING AUTHORITY

Under existing law, SBA is authorized to make grants "to assist in establishing" small business development centers.

The Senate bill changes the purpose so that the grant would be made "to establish" small business development centers.

The House amendment does not change the stated purpose of the grant, but it does require that the term of the grant be made on a calendar year basis or to coincide with the Federal fiscal year.

The conference substitute retains the existing law and authorizes the grants to be made to assist in establishing small business development centers. It also requires that the term of the grant be made on a calendar year basis or to coincide with the Federal fiscal year.

2. NON-FEDERAL MATCHING REQUIREMENT

Under existing law, an applicant for an SBDC grant is required to match the amount of the grant. The match may be comprised of up to 50 percent in indirect costs or in in-kind contributions.

The Senate bill requires an applicant for a grant to operate a small business development center to match the amount of the grant in an equal amount with not less than 50 percent cash and not more than 50 percent in indirect costs and in-kind contributions.

The House amendment does not change the matching funds provision of existing law. It does limit the amount of part-time SBDC employees' salaries eligible for cash match purposes to no more than the amount paid to full-time employees.

The conference substitute requires an applicant for a grant to operate a small business development center to match the amount of the grant in an equal amount with not less than 50 percent cash and not more than 50 percent in indirect costs and in-kind contributions.

The conferees note that current law requires the applicant to provide matching funds derived exclusively from non-Federal sources in an amount equal to the amount to be awarded by the Administration. The conference agreement has amended the matching requirement to make it absolutely clear that, after the transition period, at least fifty percent of the applicant's match is to be in up-front cash to help ensure a more meaningful commitment to the program by the applicants.

In the thirty-two states and the District of Columbia in which the SBDCs exist today, the cash requirement is effective for grants for performance commencing on or after October 1, 1987.

In the other eighteen states, the new cash match requirement would be phased-in as follows:

—for grants for performance commencing on or after October 1, 1988 if the applicant is located in a state which receives its initial grant for performance under this section commencing after August 1, 1984 and prior to October 1, 1986; and

—for grants for performance commencing on or after October 1, 1986 if the applicant is located in a state which receives its initial grant for performance under this section commencing after October 1, 1986.

The House proposed restriction on part-time SBDC employees was deleted without prejudice. The conferees recognize the value which full-time employees provide to the counseling and continuity of the SBCC program. However, since precise information is not available on the extent to which SBDCs now utilize part-time workers, the conferees agree to obtain this information and will re-examine this important question.

3. SUNSET PROVISION ON PLAN REQUIREMENT

Under existing law, during fiscal years 1981 through 1983, a grant cannot be made to an SBDC if SBA's approval of such grant would be inconsistent with the plan for the area involved which has been adopted by the appropriate state agency and approved by SBA.

The Senate bill eliminates the fiscal year references and provides that the plan to be adopted by the appropriate state agency and approved by SBA before any grant is made to an SBDC must be a plan for the entire state. The Senate provision is designed to ensure that there is a single, pre-existing plan demonstrating a comprehensive strategy for utilizing the SBDC program for providing management assistance to small business in that state.

The House amendment only eliminates the fiscal year references in existing law.

The conference substitute only eliminates the fiscal year references. The conferees are concerned about the potential proliferation of SBDCs within a state, or the commencement of services through an SBDC to one portion of a state, without an overall

structural framework for providing and coordinating the delivery of management services within that state. SBA's implementation of the existing statutory provision should seek to require that overall strategy. The conferees believe that greater attention must be paid by state, agency and SBDC applicants to this important planning and coordinating function. The conferees intend to carefully study the agency's practice and monitor its future performance.

4. SBA PROGRAM REVIEW AUTHORITY

The Senate bill requires a grant applicant to provide information showing that the grant will not be used solely to duplicate or replace existing services.

The House amendment emphasizes that the SBDC program is a partnership between the Small Business Administration and the applicant, but under the general management and oversight of SBA.

The conference substitute emphasizes that the SBDC program is a partnership between the Small Business Administration and the applicant, but under the general management and oversight of the SBA. In addition, the conferees do not expect any state which receives a grant for an SBDC program to reduce funding for any other state program which helps small business simply because there is Federal grant money being made available to an SBDC.

5. SBDC LOCATION ACCESSIBILITY AND FULL-TIME STAFF AUTHORITY

The Senate bill provides that the facilities and staff of the SBDC shall be in areas that are located to maximize accessibility and services to the small business communities being served. It also requires a center to have a full-time staff and a staff director whose sole responsibility is to manage the activities and provide services to the program.

The House amendment requires each SBDC in-take center and each in-take subcenter to be located in easily accessible facilities in such places as shall provide maximum accessibility and benefits to the small business community. It also requires an SBDC to have a full-time staff, including a full-time director who has the authority to make expenditures under the center's budget and to manage the program activities. Finally, it also requires an SBDC to have a full-time director at each subcenter unless the level of activity makes it impractical to do so.

The conference substitute requires that facilities and staff shall be in areas that are located to maximize accessibility and services to the small business community. It also requires the center to have a full-time staff, including a full-time director who has the authority to make expenditures under the center's budget and who shall manage the program activities.

6. NATIONAL SCIENCE FOUNDATION

Under existing law the National Science Foundation and innovation centers supported by it are authorized and directed to cooperate with small business development centers. The National Science

Foundation is required to report annually on the innovation centers.

The Senate bill provides that the National Science Foundation is authorized and directed to cooperate with the Administration in developing and establishing programs to support small business development centers. The reporting requirement is eliminated as is the reference to innovation centers, which no longer exist.

The House amendment contains no comparable provision.

The conference substitute provides that the National Science Foundation is authorized and directed to cooperate with the Administration and with small business development centers in developing and establishing programs to support the centers.

7. SBDC NATIONAL ADVISORY BOARD

Existing law establishes a National Small Business Development Center Advisory Board, consisting of nine members, which is required to meet at least quarterly and at the call of the Chairman of the Board.

The Senate bill reduces the mandatory meetings of the Board to at least semi-annually.

The House amendment contains no comparable provision.

The conference substitute reduces the mandatory meetings of the National Small Business Development Center Advisory Board to at least semi-annually.

8. LOCAL ADVISORY BOARD

Existing law authorizes, but does not require, each SBDC to establish an advisory board to advise, counsel and confer with the SBDC director on all policy matters pertaining to the operation of the center.

The Senate bill changes existing law to require the establishment of such a board.

The House bill contains no comparable provision.

The conference substitute requires each small business development center to establish an advisory board.

9. SBDC PROGRAM EVALUATION AND PEER REVIEW

Under existing law the Small Business Administration was required to do an evaluation of the SBDC program and to report on it to Congress in 1983.

The Senate bill strikes the required evaluation and report which has been completed and submitted to the Congress.

The House amendment also strikes the evaluation requirement. It requires, however, that SBA develop a proposal for a bi-annual on-site evaluation of each SBDC. The evaluation program shall also include provisions for the participation in the evaluation of representatives of at least one outside SBDC. The agency's proposal shall be completed and submitted to Congress by January 31, 1985.

The conference substitute eliminates the outdated evaluation and reporting requirement. It also requires SBA, within six months after enactment, to develop and implement a proposal for an on-site evaluation of each SBDC. The evaluation must be conducted at least every two years and provide for the participation in the evaluation of a representative of at least one other SBDC.

The conferees expect that the proposal will be formulated in consultation with representatives of the SBDCs and that the evaluation will be both qualitative and quantitative, will measure the effectiveness of the program and the cost of delivery, and will make an assessment of the benefits accruing to the areas served.

10. SBDC DATA SYSTEM

The House amendment requires SBA to continue at least until October 1, 1986 the current SBDC management information system. During this period, the administration may study development of an in-house computer system to replace the current management information system which is done by an outside company.

The Senate bill contains no comparable provision.

The conference substitute does not include this provision.

11. SBDC FUNDING PROVISIONS

The Senate bill updates a provision of existing law and prohibits SBA from funding any SBDC except as authorized in section 21 of the Small Business act which contains the statutory provisions for the SBDC program.

The House amendment does not contain any comparable provision.

The conference substitute updates existing law and prohibits SBA from funding any SBDC except as authorized in section 21 of the Small Business Act.

12. SBDC AUTHORIZATIONS

The Senate bill authorizes the appropriation of $30 million in fiscal year 1985, and $40 million in each of fiscal years 1986 and 1987, solely to carry out the SBDC program.

The House amendment authorizes the appropriation annually of such sums as may be necessary to (1) operate the SBDC program up to $65 million annually, (2) pay the expenses of the National Small Business Development Center Advisory Board, (3) pay for contracting out for the SBDC management information system, and (4) reimburse the SBDCs for participation in the evaluation of other SBDCs.

The conference substitute authorizes the appropriation of $30 million for fiscal year 1985 to be available solely (1) to carry out the provisions and purposes of the small business development center program in section 21, (2) to pay the expenses of the National Small Business Development Center Advisory Board as provided in subsection 21(h), and (3) to reimburse centers for participation in evaluations as provided in subsection 21(j). For fiscal year 1986 and every year thereafter, it authorizes the appropriation of such sums as may be necessary and appropriate to be available solely (1) to

operate the SBDC program, (2) to pay the expenses of the National Small Business Development Center Advisory Board, and (3) to reimburse the SBDCs for participation in the evaluation of other SBDCs.

13. SUNSET OF THE SBDC PROGRAM

Under existing law, the SBDC program is repealed on January 1, 1985.

The Senate bill strikes the sunset provision, thereby making the SBDC program permanent.

The House amendment extends the sunset date to October 1, 1988.

The conference substitute extends the sunset date to October 1, 1990.

The conferees acknowledge that the pilot SBDC program enacted in 1980 has been very successful in providing management assistance to small business. In light of the substantial statutory and regulatory changes that are taking place in the SBDC program, a further sunset date was included only to ensure that the Congress, the Small Business Administration and the SBDC program managers would review the growth and development of the SBDC program.

14. EFFECTIVE DATE

The House amendment makes the Act effective October 1, 1984.

The Senate bill contains no comparable provision.

The conference substitutes does not delay the effective date of the bill.

15. TITLE OF ACT

The Senate bill provides that the title of the bill is "An Act to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes."

The House amendment provides that the title of the bill is "An Act to improve the Small Business Development Center program, and for other purposes."

The conference substitute provides that the title shall be "An Act to amend the Small Business Act to extend and strengthen the Small Business Development Center Program, and for other purposes."

16. CITATION

The Senate bill does not provide a citation for the Act.

The House amendment provides that this Act may be cited as the "Small Business Development Center Improvement Act of 1984".

The conference substitute provides that this Act may be cited as the "Small Business Development Center Improvement Act of 1984".

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